

*Kalamazoo Regional Water and Wastewater Commission
Kalamazoo County, Michigan*

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

Members of the Board Kalamazoo Regional Water and Wastewater Commission

We have audited the accompanying basic financial statements of the Kalamazoo Regional Water and Wastewater Commission, as of March 31, 2008, and for the year then ended, as listed in the contents. These financial statements are the responsibility of the Kalamazoo Regional Water and Wastewater Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Kalamazoo Regional Water and Wastewater Commission at March 31, 2008, and the changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The required supplemental information listed in the contents is presented for additional analysis and is not a required part of the financial statements of the Kalamazoo Regional Water and Wastewater Commission, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Kalamazoo Regional Water and Wastewater Commission has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

June 23, 2008



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BASIC FINANCIAL STATEMENTS

Kalamazoo Regional Water and Wastewater Commission

STATEMENT OF NET ASSETS

March 31, 2008

ASSETS

Cash	\$ 135,278
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Total assets	135,278
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LIABILITIES

Accounts payable	600
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NET ASSETS - Unrestricted	\$ 134,678
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See notes to financial statements

Kalamazoo Regional Water and Wastewater Commission

STATEMENT OF ACTIVITIES

Year ended March 31, 2008

EXPENSES

Public works	\$ 42,098
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GENERAL REVENUES

Membership dues	22,900
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Interest	<u>6,454</u>
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Total general revenues	<u>29,354</u>
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CHANGE IN NET ASSETS	(12,744)
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NET ASSETS - BEGINNING	<u>147,422</u>
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NET ASSETS - ENDING	<u><u>\$ 134,678</u></u>
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See notes to financial statements

Kalamazoo Regional Water and Wastewater Commission
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Kalamazoo Regional Water and Wastewater Commission conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant policies:

The Kalamazoo Regional Water and Wastewater Commission was established May 8, 1998, to jointly plan for, coordinate, and implement regionalization of water and wastewater infrastructure in and around Kalamazoo County. The Commission is comprised of various municipalities within Kalamazoo County.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission (primary government). The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the Commission's financial statements.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

c) Assets and liabilities:

Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

d) Receivables:

All receivables are expected to be fully collectible as presented.

Kalamazoo Regional Water and Wastewater Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The Commission had the following significant budget variance:

<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public works	\$ 33,000	\$ 42,098	\$ 9,098

NOTE 3 - CASH:

Deposits with financial institutions:

Deposits are carried at cost and are maintained at one financial institution in the name of the Commission. State statutes and the Commission's investment policy authorize the Commission to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Commission's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, the Commission has deposits with a carrying amount and a bank balance of \$135,278, the entire amount of which was covered by federal depository insurance.

NOTE 4 - RISK MANAGEMENT:

The Commission is exposed to various risks of loss related to torts, theft, of damage to, and destruction of, assets, errors and omissions, injuries to employees, and natural disasters. The Commission carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

REQUIRED SUPPLEMENTAL INFORMATION

Kalamazoo Regional Water and Wastewater Commission
BUDGETARY COMPARISON SCHEDULE - Operating Fund
Year ended March 31, 2008

	<u>Original and amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Membership dues	\$ 22,900	\$ 22,900	\$ -
Interest	<u>5,000</u>	<u>6,454</u>	<u>1,454</u>
Total revenues	<u>27,900</u>	<u>29,354</u>	<u>1,454</u>
EXPENDITURES			
Public works:			
Professional services	30,500	39,333	(8,833)
Insurance	2,500	2,085	415
Miscellaneous	<u>-</u>	<u>680</u>	<u>(680)</u>
Total public works	<u>33,000</u>	<u>42,098</u>	<u>(9,098)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(5,100)	(12,744)	(7,644)
FUND BALANCE - BEGINNING	<u>147,422</u>	<u>147,422</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 142,322</u>	<u>\$ 134,678</u>	<u>\$ (7,644)</u>

June 23, 2008

**Members of the Board
Kalamazoo Regional Water and Wastewater Commission**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kalamazoo Regional Water and Wastewater Commission for the year ended March 31, 2008, and have issued our report thereon dated June 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Kalamazoo Regional Water and Wastewater Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Kalamazoo Regional Water and Wastewater Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. There were no audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Kalamazoo Regional Water and Wastewater Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Kalamazoo Regional Water and Wastewater Commission as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Kalamazoo Regional Water and Wastewater Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Board of Trustees
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June 23, 2008

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of the Board of Trustees of the Kalamazoo Regional Water and Wastewater Commission and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.